


UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

MAR 07 2002

	
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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

3/15/02 FV

REPORT FOR THE PERIOD BEGINNING January 1, 2001 AND ENDING December 31, 2001  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Planners Financial Services, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

7710 Computer Avenue, Suite 100

(No. and Street)

Edina

Minnesota

55435

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Henry I. Montgomery

952-835-9000

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Helleloid & Swanson

(Name — if individual, state last, first, middle name)

5001 W. 80th Street, Suite 595

Bloomington

MN

55437

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED  
MAR 29 2002  
THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

3/12/02  
LA

## OATH OR AFFIRMATION

I, Henry I. Montgomery, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Planners Financial Services, Inc., as of December 31, ~~1999~~ 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None.



Donald L. McCoy 02-25-02  
Notary Public

Henry I. Montgomery  
Signature  
CEO, CHAN  
Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of ~~Changes in Financial Condition~~ Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

PLANNERS FINANCIAL SERVICES, INC.

TABLE OF CONTENTS

Independent Auditor's Report	1
Statements of Financial Condition	2
Statements of Income	3
Statements of Changes in Stockholders' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 7
Independent Auditor's Report on Supplementary Information	8
Computation of Net Capital	9
Independent Auditor's Report on Internal Accounting Control	10 - 11

HELLELOID & SWANSON

CERTIFIED PUBLIC ACCOUNTANTS  
5001 WEST 80TH STREET SUITE 595  
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TELEPHONE (952) 835-5705  
FAX (952) 835-5706

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Planners Financial Services, Inc.  
Edina, Minnesota

We have audited the accompanying statements of financial condition of Planners Financial Services, Inc. as of December 31, 2001 and 2000, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Planners Financial Services, Inc. at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Helleloid & Swanson*

HELLELOID & SWANSON

January 16, 2002

PLANNERS FINANCIAL SERVICES, INC.

STATEMENTS OF FINANCIAL CONDITION

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>ASSETS</u>		
Cash	\$ 11,171	\$ 377
Money market funds	123,971	134,478
<u>Total cash and cash equivalents</u>	<u>135,142</u>	<u>134,855</u>
Commissions receivable	7,480	25,341
Prepaid expenses	10,864	8,011
Accounts receivable - employees	2,055	3,695
Refundable income taxes	-	11,951
Furniture and equipment at cost, less accumulated depreciation of \$67,027 and \$65,607	3,334	1,910
Securities owned:		
Not readily marketable, at estimated fair value	<u>3,300</u>	<u>3,300</u>
<u>Total assets</u>	<u>\$162,175</u>	<u>\$189,063</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

<u>Liabilities:</u>		
Commissions payable	\$ 5,236	\$ 33,915
Accounts payable	108	100
Accrued retirement plan	1,226	1,166
Accrued income taxes	300	-
Accrued payroll taxes	<u>3,523</u>	<u>3,497</u>
<u>Total liabilities</u>	<u>10,393</u>	<u>38,678</u>
<u>Stockholders' equity:</u>		
Common stock, \$1 par value, authorized 25,000 shares, issued 10,281 shares	10,281	10,281
Retained earnings	141,501	175,962
Cost of shares redeemed in excess of par value	<u>-</u>	<u>(35,858)</u>
<u>Total stockholders' equity</u>	<u>151,782</u>	<u>150,385</u>
<u>Total liabilities and stockholders' equity</u>	<u>\$162,175</u>	<u>\$189,063</u>

The accompanying notes are an integral part of these financial statements.

PLANNERS FINANCIAL SERVICES, INC.

STATEMENTS OF INCOME

For The Years Ended  
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>Revenues:</u>		
Commissions	\$259,147	\$ 481,830
Advisory fees and miscellaneous	451,948	581,880
Interest	4,992	9,443
<u>Total revenues</u>	<u>716,087</u>	<u>1,073,153</u>
<u>Expenses:</u>		
Commissions	434,573	882,778
Salaries	134,884	127,132
Employees health insurance	13,105	11,665
Retirement plan	4,047	3,652
Payroll taxes	9,980	9,429
Training	2,145	10,232
Rent	33,920	31,298
Insurance	3,488	2,178
Professional fees	6,498	17,076
Advertising	4,065	6,729
Telephone	7,167	5,958
Postage and delivery	3,659	5,585
Books, subscriptions and periodicals	7,993	5,690
Office supplies	18,138	25,365
Licenses, regulatory fees, dues and memberships	3,120	3,275
Office expense	3,585	5,905
Depreciation	1,420	852
Travel and auto expenses	19,063	33,976
Directors fees	600	-
Interest	-	48
Other expenses	2,940	1,570
<u>Total expenses</u>	<u>714,390</u>	<u>1,190,393</u>
<u>Income (loss) before income taxes</u>	<u>1,697</u>	<u>(117,240)</u>
<u>Provision for income taxes</u>		
Current year	300	500
Prior year's refunds	-	(5,631)
<u>Total provision for income taxes</u>	<u>300</u>	<u>(5,131)</u>
<u>Net income (loss)</u>	<u>\$ 1,397</u>	<u>\$ (112,109)</u>

The accompanying notes are an integral part of these financial statements.

PLANNERS FINANCIAL SERVICES, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended  
December 31, 2001 and 2000

	<u>Total</u>	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Cost of Shares Redeemed in Excess of Par Value</u>
Balance, December 31, 1999	\$262,494	\$10,281	\$288,071	\$(35,858)
Net loss	(112,109)		(112,109)	
Balance, December 31, 2000	150,385	10,281	175,962	(35,858)
Net income	1,397		1,397	
Retirement of Treasury Stock	0		(35,858)	35,858
Balance, December 31, 2001	<u>\$151,782</u>	<u>\$10,281</u>	<u>\$141,501</u>	<u>0</u>

The accompanying notes are an integral part of these financial statements.

PLANNERS FINANCIAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended  
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>Cash flows from operating activities:</u>		
Fees and commissions received	\$ 730,596	\$1,043,546
Cash paid to suppliers and employees	(744,408)	(1,161,633)
Interest received	4,992	9,443
Interest paid	-	(48)
Income tax (paid) refunded	11,951	(9,477)
<u>Net cash provided (used) by operating activities</u>	<u>3,131</u>	<u>(118,169)</u>
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(2,844)	-
Purchase of Nasdaq stock	-	(3,300)
Loan to officer	-	150,000
<u>Net cash provided (used) in investing activities</u>	<u>(2,844)</u>	<u>146,700</u>
<u>Net increase in cash</u>	<u>287</u>	<u>28,531</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>134,855</u>	<u>106,324</u>
<u>Cash and cash equivalents at end of year</u>	<u>\$ 135,142</u>	<u>\$ 134,855</u>
<u>Reconciliation of net income to net cash</u> <u>provided by operating activities</u>		
Net income (loss)	\$ 1,397	\$ (112,109)
Adjustments:		
Depreciation	1,420	852
(Increase) decrease in commissions receivable	17,861	(20,164)
Increase (decrease) in commissions payable	(28,679)	30,291
Increase in prepaid expenses	(2,853)	(3,607)
Increase (decrease) in accrued taxes payable	326	(1,774)
Increase in accounts payable	8	313
(Increase) decrease in accounts receivable - employees	1,640	(20)
Increase in accrued pension	60	-
(Increase) decrease in refundable income taxes	11,951	(11,951)
<u>Total adjustments</u>	<u>1,734</u>	<u>(6,060)</u>
<u>Net cash provided by operating activities</u>	<u>\$ 3,131</u>	<u>\$ (118,169)</u>

The accompanying notes are an integral part of these financial statements.



PLANNERS FINANCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For The Years Ended  
December 31, 2001 and 2000

1. Organization and Nature of Business

The Company is a securities broker/dealer and registered investment adviser. The Company's main sources of revenue are commissions from sales of investment company shares (mutual funds) and fees charged for investment advisory services. The Company is registered with the United States Securities and Exchange Commission as a securities broker/dealer and as an investment adviser. The Company is registered as an investment adviser in the states of Minnesota, Wisconsin, California and Florida and is licensed as a broker/dealer in the states of Minnesota, Iowa, Wisconsin, California, Florida and Colorado. The Company is a member of the National Association of Securities Dealers, Inc. (NASD) and the Securities Investor Protection Corporation (SIPC).

2. Significant Accounting Policies

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Depreciation - The Company's furniture and equipment is depreciated using primarily a straight line method using estimated useful lives of three to ten years.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all short term debt securities purchased with a maturity of three months or less to be cash equivalents.

3. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Securities Exchange Act Rule 15c3-1), which requires the maintenance of minimum net capital as defined in the Rule. Net capital and the related net capital ratio fluctuate on a daily basis. As of December 31, 2001 and 2000, the Company had net capital of \$129,454 and \$131,017 and required net capital of \$25,000.

4. Exemption - SEC Rule 15c3-3

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission as all customer transactions are cleared through another broker/dealer on a fully disclosed basis. The Company, therefore, is not required to make the periodic computation of reserve requirements for the benefit of customers.

As part of our examination we ascertained the the Company was in compliance with the exemptive provisions of SEC Rule 15c3-3 as of December 31, 2001 and 2000. No facts came to our attention indicating that the firm had not complied with the conditions of the exemption to Rule 15c3-3 since the last audit.

For The Years Ended  
December 31, 2001 and 2000

5. SIPC Supplemental Report

The requirement for filing an SIPC Supplemental Report is not applicable, since SIPC has suspended assessments based on net operating revenue. The minimum fee of \$150 was paid in 2001 and 2000.

6. Lease Commitment

The Company occupies its office facilities pursuant to a two-year lease renewal agreement beginning August 1, 2000 with a base rent of \$1,576.67 plus operating expense. Minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2002	\$11,037

7. Pension Plan

The Company has a salary reduction plan or SARSEP that covers all employees who are at least twenty-one years of age, have performed services in at least one year, and had at least \$400 in compensation. The employee can contribute a maximum of 15% of compensation not to exceed \$10,000. The Company contributes 50% of the employee's contribution up to a maximum of 4% of their annual salary. Company contributions for 2001 and 2000 were \$4,047 and \$3,652 respectively.

8. Income Taxes

The Company had a net operating loss carry forward to 2001 resulting from a net operating loss for the year ended December 31, 2000. The carry forward loss offset the year 2001 income. The federal and state net operating loss available to be carried forward to 2002 amounted to \$78,426 and \$115,218 respectively.

9. Concentration of Credit Risk

The Company maintains a money market mutual fund that is S.I.P.C insured to \$100,000. The Company had uninsured amounts at December 31, 2001 and 2000 of \$22,510 and \$33,036 respectively.

**HELLELOID & SWANSON**

**CERTIFIED PUBLIC ACCOUNTANTS**

**5001 WEST 80TH STREET SUITE 595**

**BLOOMINGTON, MINNESOTA 55437**

**TELEPHONE (952) 835-5705**

**FAX (952) 835-5706**

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**  
**REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

Board of Directors  
Planners Financial Services, Inc.  
Edina, Minnesota

We have audited the accompanying financial statements of Planners Financial Services, Inc. as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated January 16, 2002. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Helleloid & Swanson*

HELLELOID & SWANSON

January 16, 2002

PLANNERS FINANCIAL SERVICES, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE

SECURITIES AND EXCHANGE COMMISSION

December 31, 2001

Net capital

Total stockholders' equity \$151,782

Deductions

Non-allowable assets:

Prepaid expenses	\$10,864
Furniture and equipment	3,334
Commissions receivable	325
Account receivable - employees	2,055
Securities not readily marketable	<u>3,300</u>

<u>Total</u>	19,878
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Haircuts on investments:

Money market mutual fund shares	
2% of \$122,510	<u>2,450</u>

<u>Total deductions</u>	<u>22,328</u>
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<u>Adjusted net capital</u>	<u>\$129,454</u>
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COMPUTATION OF EXCESS NET CAPITAL

<u>Adjusted net capital</u>	\$129,454
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Minimum net capital required:

Dollar minimum	\$25,000
6-2/3% of aggregate indebtedness	<u>693</u>
Greater of above	<u>25,000</u>

<u>Excess net capital</u>	<u>\$104,454</u>
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COMPUTATION OF AGGREGATE INDEBTEDNESS

Commissions payable	\$ 5,236
Accounts payable	108
Accrued retirement plan	1,226
Accrued taxes	<u>3,823</u>

<u>Total aggregate indebtedness</u>	<u>\$ 10,393</u>
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Percentage of aggregate indebtedness to net capital	8.03%
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# HELLELOID & SWANSON

CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Board of Directors  
Planners Financial Services, Inc.  
Edina, Minnesota

In planning and performing our audit of the financial statements and supplemental schedule of Planners Financial Services, Inc., for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of difference required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control; including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Helleloid & Swanson*

HELLELOID & SWANSON

January 16, 2002